

**LANCASHIRE INSURANCE COMPANY (UK) LIMITED**  
**(the "Company")**

**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**Purpose**

The purpose of the Audit Committee is to provide an independent review of issues arising from the Company's financial statements and audit management letters, and actuarial review of the Company's reserves and to report on this to the Board. In addition, the Committee will provide an independent review of all complaints reports referred to it.

**Membership**

The members of the Audit Committee are to be the independent non-executive directors of the Company. The quorum shall be 2 members.

**Responsibilities**

1. To meet with the auditors of the Company to review issues arising from the company's financial statements and audit management letters.
2. To oversee the Company's internal audit function.
3. To monitor the Company's internal systems and controls including by receiving reports from the Risk Committee.
4. To receive reports from the Company's actuaries and to meet with them to review issues arising from their review of the Company's reserves from time to time.
5. To review complaints reports.
6. To report to and to make recommendations as appropriate to the Board.
7. To consider the necessity to appoint a person to be head of internal audit for the Company. If a head of internal audit is appointed to receive regular reports from that individual, or delegate at each Audit Committee meeting.

The above responsibilities are not listed in order of importance.

**Reporting**

The Audit Committee shall meet formally on a quarterly basis and as and when required by the Chairman.